

Introduced by Senator Walters

February 18, 2014

An act to amend Sections 1622 and 42127 of the Education Code, relating to education finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1047, as introduced, Walters. Education finance: budgets: long-term obligations.

Existing law, on or before July 1 of each fiscal year, requires the county board of education to adopt an annual budget for the budget year and file the budget with the Superintendent of Public Instruction, the county board of supervisors, and the county auditor. Existing law requires the Superintendent to examine the budget, as specified, and, on or before August 15, approve or disapprove the budget.

This bill would authorize the Superintendent to disapprove the adopted budget of a county board of education if it does not disclose the long-term actuarial obligations of the county office of education, including, but not limited to, the debts and retiree obligations of the county office of education.

Existing law, on or before July 1 of each fiscal year, requires the governing board of a school district to, among other things, adopt a budget and file that budget with the county superintendent of schools within 5 days of the adoption or by July 1, whichever occurs first. Existing law requires the county superintendent of schools to examine the budget, as specified, and, on or before August 15, approve, conditionally approve, or disapprove the adopted budget.

This bill would authorize the county superintendent of schools to disapprove the adopted budget of a school district if it does not disclose

the long-term actuarial obligations of the school district, including, but not limited to, the debts and retiree obligations of the school district.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1622 of the Education Code is amended
2 to read:

3 1622. (a) On or before July 1 of each fiscal year, the county
4 board of education shall adopt an annual budget for the budget
5 year and shall file the budget with the Superintendent, the county
6 board of supervisors, and the county auditor. The budget, and
7 supporting data, shall be maintained and made available for public
8 review. The budget shall indicate the date, time, and location at
9 which the county board of education held the public hearing
10 required under Section 1620. For the 2014–15 fiscal year and each
11 fiscal year thereafter, the county board of education shall not adopt
12 a budget before the county board of education adopts a local control
13 and accountability plan or approves an update to an existing local
14 control and accountability plan if an existing local control and
15 accountability plan or update to a local control and accountability
16 plan is not effective during the budget year. The county board of
17 education shall not adopt a budget that does not include the
18 expenditures identified in the local control and accountability plan
19 and any annual update to the local control and accountability plan
20 that will be effective in the subsequent fiscal year. Notwithstanding
21 any other provision of this article, for the 2014–15 fiscal year and
22 each fiscal year thereafter, the budget shall not be adopted or
23 approved by the Superintendent before a local control and
24 accountability plan or update to an existing local control and
25 accountability plan for the budget year is approved.

26 (b) (1) The Superintendent shall examine the budget to
27 determine if it (A) complies with the standards and criteria adopted
28 by the state board pursuant to Section 33127 for application to
29 final local educational agency budgets, (B) allows the county office
30 of education to meet its financial obligations during the fiscal year,
31 and (C) is consistent with a financial plan that will enable the
32 county office of education to satisfy its multiyear financial
33 commitments. In addition, the Superintendent shall identify any

1 technical corrections to the budget that must be made. On or before
2 August 15, the Superintendent shall approve or disapprove the
3 budget and, in the event of a disapproval, transmit to the county
4 office of education in writing his or her recommendations regarding
5 revision of the budget and the reasons for those recommendations.

6 *(2) The Superintendent may disapprove the adopted budget of*
7 *a county board of education if it does not disclose the long-term*
8 *actuarial obligations of the county office of education, including,*
9 *but not limited to, the debts and retiree obligations of the county*
10 *office of education.*

11 ~~(2)~~
12 (3) For the 2011–12 fiscal year, notwithstanding any of the
13 standards and criteria adopted by the state board pursuant to Section
14 33127, the Superintendent, as a condition on approval of a county
15 office of education budget, shall not require a county office of
16 education to project a lower level of revenue per unit of average
17 daily attendance than it received in the 2010–11 fiscal year nor
18 require the county superintendent to certify in writing whether or
19 not the county office of education is able to meet its financial
20 obligations for the two subsequent fiscal years.

21 ~~(3)~~
22 (4) For the 2014–15 fiscal year and each fiscal year thereafter,
23 the Superintendent shall disapprove a budget if any of the following
24 occur:

25 (A) The Superintendent has not approved a local control and
26 accountability plan or an annual update to the local control and
27 accountability plan filed by a county superintendent of schools
28 pursuant to Section 52067.

29 (B) The Superintendent determines that the budget does not
30 include the expenditures necessary to implement the local control
31 and accountability plan or an annual update to the local control
32 and accountability plan that is effective for that budget year.

33 (c) On or before September 8, the county board of education
34 shall revise the county office of education budget to reflect changes
35 in projected income or expenditures subsequent to July 1, and to
36 include any response to the recommendations of the
37 Superintendent, shall adopt the revised budget, and shall file the
38 revised budget with the Superintendent, the county board of
39 supervisors, and the county auditor. Before revising the budget,
40 the county board of education shall hold a public hearing regarding

1 the proposed revisions, which shall be made available for public
2 inspection not less than three working days before the hearing.
3 The agenda for that hearing shall be posted at least 72 hours before
4 the public hearing and shall include the location where the budget
5 will be available for public inspection. The revised budget, and
6 supporting data, shall be maintained and made available for public
7 review.

8 (d) (1) The Superintendent shall examine the revised budget
9 to determine if it complies with the standards and criteria adopted
10 by the state board pursuant to Section 33127 for application to
11 final local educational agency budgets and, no later than October
12 8, shall approve or disapprove the revised budget. For the 2014–15
13 fiscal year and each fiscal year thereafter, the Superintendent shall
14 disapprove a revised budget if the Superintendent determines that
15 the revised budget does not include the expenditures necessary to
16 implement the local control and accountability or an annual update
17 to the local control and accountability plan approved by the
18 Superintendent pursuant to Section 52067. If the Superintendent
19 disapproves the budget, he or she shall call for the formation of a
20 budget review committee pursuant to Section 1623. For the
21 2011–12 fiscal year, notwithstanding any of the standards and
22 criteria adopted by the state board pursuant to Section 33127, the
23 Superintendent, as a condition on approval of a county office of
24 education budget, shall not require a county office of education to
25 project a lower level of revenue per unit of average daily attendance
26 than it received in the 2010–11 fiscal year nor require the county
27 superintendent to certify in writing whether or not the county office
28 of education is able to meet its financial obligations for the two
29 subsequent fiscal years.

30 (2) Notwithstanding any other law, for the 2014–15 fiscal year
31 and each fiscal year thereafter, if the Superintendent disapproves
32 the budget for the sole reason that the Superintendent has not
33 approved a local control and accountability plan or an annual
34 update to the local control and accountability plan filed by the
35 county superintendent of schools pursuant to Section 52067, the
36 Superintendent shall not call for the formation of a budget review
37 committee pursuant to Section 1623.

38 (e) Notwithstanding any other provision of this section, the
39 budget review for a county office of education shall be governed
40 by paragraphs (1), (2), and (3) of this subdivision, rather than by

1 subdivisions (c) and (d), if the county board of education so elects,
2 and notifies the Superintendent in writing of that decision, no later
3 than October 31 of the immediately preceding calendar year.

4 (1) In the event of the disapproval of the budget of a county
5 office of education pursuant to subdivision (b), on or before
6 September 8, the county superintendent of schools and the county
7 board of education shall review the recommendations of the
8 Superintendent at a regularly scheduled meeting of the county
9 board of education and respond to those recommendations. That
10 response shall include the proposed actions to be taken, if any, as
11 a result of those recommendations.

12 (2) ~~No later than~~ *On or before* October 8, after receiving the
13 response required under paragraph (1), the Superintendent shall
14 review that response and either approve or disapprove the budget
15 of the county office of education. For the 2014–15 fiscal year and
16 each fiscal year thereafter, the Superintendent shall disapprove a
17 budget if the Superintendent determines that the budget adopted
18 by the county board of education does not include the expenditures
19 necessary to implement the local control and accountability plan
20 or an annual update to the local control and accountability plan
21 approved by the Superintendent pursuant to Section 52067. Except
22 as provided in paragraph (2) of subdivision (d), if the
23 Superintendent disapproves the budget, he or she shall call for the
24 formation of a budget review committee pursuant to Section 1623.

25 (3) Not later than 45 days after the Governor signs the annual
26 Budget Act, the county office of education shall make available
27 for public review any revisions in revenues and expenditures that
28 it has made to its budget to reflect the funding made available by
29 that Budget Act.

30 SEC. 2. Section 42127 of the Education Code is amended to
31 read:

32 42127. (a) On or before July 1 of each year, the governing
33 board of each school district shall accomplish the following:

34 (1) Hold a public hearing on the budget to be adopted for the
35 subsequent fiscal year. The budget to be adopted shall be prepared
36 in accordance with Section 42126. The agenda for that hearing
37 shall be posted at least 72 hours before the public hearing and shall
38 include the location where the budget will be available for public
39 inspection.

1 (A) For the 2011–12 fiscal year, notwithstanding any of the
2 standards and criteria adopted by the state board pursuant to Section
3 33127, each school district budget shall project the same level of
4 revenue per unit of average daily attendance as it received in the
5 2010–11 fiscal year and shall maintain staffing and program levels
6 commensurate with that level.

7 (B) For the 2011–12 fiscal year, the school district shall not be
8 required to demonstrate that it is able to meet its financial
9 obligations for the two subsequent fiscal years.

10 (2) Adopt a budget. Not later than five days after that adoption
11 or by July 1, whichever occurs first, the governing board of the
12 school district shall file that budget with the county superintendent
13 of schools. The budget and supporting data shall be maintained
14 and made available for public review. If the governing board of
15 the school district does not want all or a portion of the property
16 tax requirement levied for the purpose of making payments for the
17 interest and redemption charges on indebtedness as described in
18 paragraph (1) or (2) of subdivision (b) of Section 1 of Article
19 XIII A of the California Constitution, the budget shall include a
20 statement of the amount or portion for which a levy shall not be
21 made. For the 2014–15 fiscal year and each fiscal year thereafter,
22 the governing board of the school district shall not adopt a budget
23 before the governing board of the school district adopts a local
24 control and accountability plan, if an existing local control and
25 accountability plan or annual update to a local control and
26 accountability plan is not effective for the budget year. The
27 governing board of a school district shall not adopt a budget that
28 does not include the expenditures necessary to implement the local
29 control and accountability plan or the annual update to a local
30 control and accountability plan that is effective during the
31 subsequent fiscal year.

32 (b) The county superintendent of schools may accept changes
33 in any statement included in the budget, pursuant to subdivision
34 (a), of the amount or portion for which a property tax levy shall
35 not be made. The county superintendent of schools or the county
36 auditor shall compute the actual amounts to be levied on the
37 property tax rolls of the school district for purposes that exceed
38 apportionments to the school district pursuant to Chapter 6
39 (commencing with Section 95) of Part 0.5 of Division 1 of the
40 Revenue and Taxation Code. Each school district shall provide all

1 data needed by the county superintendent of schools or the county
2 auditor to compute the amounts. On or before August 15, the
3 county superintendent of schools shall transmit the amounts
4 computed to the county auditor who shall compute the tax rates
5 necessary to produce the amounts. On or before September 1, the
6 county auditor shall submit the rate computed to the board of
7 supervisors for adoption.

8 (c) The county superintendent of schools shall do all of the
9 following:

10 (1) Examine the adopted budget to determine whether it
11 complies with the standards and criteria adopted by the state board
12 pursuant to Section 33127 for application to final local educational
13 agency budgets. The county superintendent of schools shall
14 identify, if necessary, technical corrections that are required to be
15 made to bring the budget into compliance with those standards
16 and criteria.

17 (2) Determine whether the adopted budget will allow the school
18 district to meet its financial obligations during the fiscal year and
19 is consistent with a financial plan that will enable the school district
20 to satisfy its multiyear financial commitments. In addition to his
21 or her own analysis of the budget of each school district, the county
22 superintendent of schools shall review and consider studies, reports,
23 evaluations, or audits of the school district that were commissioned
24 by the school district, the county superintendent of schools, the
25 Superintendent, and state control agencies and that contain
26 evidence that the school district is showing fiscal distress under
27 the standards and criteria adopted in Section 33127 or that contain
28 a finding by an external reviewer that more than 3 of the 15 most
29 common predictors of a school district needing intervention, as
30 determined by the County Office Fiscal Crisis and Management
31 Assistance Team, are present. The county superintendent of schools
32 shall either conditionally approve or disapprove a budget that does
33 not provide adequate assurance that the school district will meet
34 its current and future obligations and resolve any problems
35 identified in studies, reports, evaluations, or audits described in
36 this paragraph.

37 (3) Determine whether the adopted budget includes the
38 expenditures necessary to implement the local control and
39 accountability plan or annual update to the local control and

1 accountability plan approved by the county superintendent of
2 schools.

3 (d) (1) On or before August 15, the county superintendent of
4 schools shall approve, conditionally approve, or disapprove the
5 adopted budget for each school district. For the 2014–15 fiscal
6 year and each fiscal year thereafter, the county superintendent of
7 schools shall disapprove a budget if the county superintendent of
8 schools determines that the budget does not include the
9 expenditures necessary to implement a local control and
10 accountability plan or an annual update to the local control and
11 accountability plan approved by the county superintendent of
12 schools. If a school district does not submit a budget to the county
13 superintendent of schools, the county superintendent of schools
14 shall develop, at school district expense, a budget for that school
15 district by September 15 and transmit that budget to the governing
16 board of the school district. The budget prepared by the county
17 superintendent of schools shall be deemed adopted, unless the
18 county superintendent of schools approves any modifications made
19 by the governing board of the school district. The approved budget
20 shall be used as a guide for the school district's priorities. The
21 Superintendent shall review and certify the budget approved by
22 the county. If, pursuant to the review conducted pursuant to
23 subdivision (c), the county superintendent of schools determines
24 that the adopted budget for a school district does not satisfy
25 paragraph (1), (2), or (3) of that subdivision, he or she shall
26 conditionally approve or disapprove the budget and, not later than
27 August 15, transmit to the governing board of the school district,
28 in writing, his or her recommendations regarding revision of the
29 budget and the reasons for those recommendations, including, but
30 not limited to, the amounts of any budget adjustments needed
31 before he or she can approve that budget. The county
32 superintendent of schools may assign a fiscal adviser to assist the
33 school district to develop a budget in compliance with those
34 revisions. In addition, the county superintendent of schools may
35 appoint a committee to examine and comment on the
36 superintendent's review and recommendations, subject to the
37 requirement that the committee report its findings to the county
38 superintendent of schools no later than August 20. For the 2011–12
39 fiscal year, notwithstanding any of the standards and criteria
40 adopted by the state board pursuant to Section 33127, the county

1 superintendent of schools, as a condition on approval of a school
2 district budget, shall not require a school district to project a lower
3 level of revenue per unit of average daily attendance than it
4 received in the 2010–11 fiscal year nor require the school district
5 to demonstrate that it is able to meet its financial obligations for
6 the two subsequent fiscal years.

7 (2) Notwithstanding any other provision of this article, for the
8 2014–15 fiscal year and each fiscal year thereafter, the budget
9 shall not be adopted or approved by the county superintendent of
10 schools before a local control and accountability plan or update to
11 an existing local control and accountability plan for the budget
12 year is approved.

13 (3) *The county superintendent of schools may disapprove the*
14 *adopted budget of a school district if it does not disclose the*
15 *long-term actuarial obligations of the school district, including,*
16 *but not limited to, the debt and retiree obligations of the school*
17 *district.*

18 (e) On or before September 8, the governing board of the school
19 district shall revise the adopted budget to reflect changes in
20 projected income or expenditures subsequent to July 1, and to
21 include any response to the recommendations of the county
22 superintendent of schools, shall adopt the revised budget, and shall
23 file the revised budget with the county superintendent of schools.
24 Before revising the budget, the governing board of the school
25 district shall hold a public hearing regarding the proposed revisions,
26 to be conducted in accordance with Section 42103. In addition, if
27 the adopted budget is disapproved pursuant to subdivision (d), the
28 governing board of the school district and the county
29 superintendent of schools shall review the disapproval and the
30 recommendations of the county superintendent of schools regarding
31 revision of the budget at the public hearing. The revised budget
32 and supporting data shall be maintained and made available for
33 public review.

34 (1) For the 2011–12 fiscal year, notwithstanding any of the
35 standards and criteria adopted by the state board pursuant to Section
36 33127, each school district budget shall project the same level of
37 revenue per unit of average daily attendance as it received in the
38 2010–11 fiscal year and shall maintain staffing and program levels
39 commensurate with that level.

1 (2) For the 2011–12 fiscal year, the school district shall not be
2 required to demonstrate that it is able to meet its financial
3 obligations for the two subsequent fiscal years.

4 (f) On or before September 22, the county superintendent of
5 schools shall provide a list to the Superintendent identifying all
6 school districts for which budgets may be disapproved.

7 (g) (1) The county superintendent of schools shall examine the
8 revised budget to determine whether it (1) complies with the
9 standards and criteria adopted by the state board pursuant to Section
10 33127 for application to final local educational agency budgets,
11 (2) allows the school district to meet its financial obligations during
12 the fiscal year, (3) satisfies all conditions established by the county
13 superintendent of schools in the case of a conditionally approved
14 budget, and (4) is consistent with a financial plan that will enable
15 the school district to satisfy its multiyear financial commitments,
16 and, not later than October 8, shall approve or disapprove the
17 revised budget. If the county superintendent of schools disapproves
18 the budget, he or she shall call for the formation of a budget review
19 committee pursuant to Section 42127.1, unless the governing board
20 of the school district and the county superintendent of schools
21 agree to waive the requirement that a budget review committee be
22 formed and the department approves the waiver after determining
23 that a budget review committee is not necessary. Upon the grant
24 of a waiver, the county superintendent of schools immediately has
25 the authority and responsibility provided in Section 42127.3. Upon
26 approving a waiver of the budget review committee, the department
27 shall ensure that a balanced budget is adopted for the school district
28 by November 30. If no budget is adopted by November 30, the
29 Superintendent may adopt a budget for the school district. The
30 Superintendent shall report to the Legislature and the Director of
31 Finance by December 10 if any school district, including a school
32 district that has received a waiver of the budget review committee
33 process, does not have an adopted budget by November 30. This
34 report shall include the reasons why a budget has not been adopted
35 by the deadline, the steps being taken to finalize budget adoption,
36 the date the adopted budget is anticipated, and whether the
37 Superintendent has or will exercise his or her authority to adopt a
38 budget for the school district. For the 2011–12 fiscal year,
39 notwithstanding any of the standards and criteria adopted by the
40 state board pursuant to Section 33127, the county superintendent

1 of schools, as a condition on approval of a school district budget,
2 shall not require a school district to project a lower level of revenue
3 per unit of average daily attendance than it received in the 2010–11
4 fiscal year nor require the school district to demonstrate that it is
5 able to meet its financial obligations for the two subsequent fiscal
6 years.

7 (2) Notwithstanding any other law, for the 2014–15 fiscal year
8 and each fiscal year thereafter, if the county superintendent of
9 schools disapproves the budget for the sole reason that the county
10 superintendent of schools has not approved a local control and
11 accountability plan or an annual update to the local control and
12 accountability plan filed by the school district pursuant to Section
13 52061, the county superintendent of schools shall not call for the
14 formation of a budget review committee pursuant to Section
15 42127.1.

16 (h) ~~Not later than~~ *On or before* October 8, the county
17 superintendent of schools shall submit a report to the
18 Superintendent identifying all school districts for which budgets
19 have been disapproved or budget review committees waived. The
20 report shall include a copy of the written response transmitted to
21 each of those school districts pursuant to paragraph (1) of
22 subdivision (d).

23 (i) Notwithstanding any other provision of this section, the
24 budget review for a school district shall be governed by paragraphs
25 (1), (2), and (3), rather than by subdivisions (e) and (g), if the
26 governing board of the school district so elects and notifies the
27 county superintendent of schools in writing of that decision, not
28 later than October 31 of the immediately preceding calendar year.
29 On or before July 1, the governing board of a school district for
30 which the budget review is governed by this subdivision, rather
31 than by subdivisions (e) and (g), shall conduct a public hearing
32 regarding its proposed budget in accordance with Section 42103.

33 (1) If the adopted budget of a school district is disapproved
34 pursuant to subdivision (d), on or before September 8, the
35 governing board of the school district, in conjunction with the
36 county superintendent of schools, shall review the superintendent's
37 recommendations at a regular meeting of the governing board of
38 the school district and respond to those recommendations. The
39 response shall include any revisions to the adopted budget and

1 other proposed actions to be taken, if any, as a result of those
2 recommendations.

3 (2) On or before September 22, the county superintendent of
4 schools shall provide a list to the Superintendent identifying all
5 school districts for which a budget may be tentatively disapproved.

6 (3) Not later than October 8, after receiving the response
7 required under paragraph (1), the county superintendent of schools
8 shall review that response and either approve or disapprove the
9 budget. Except as provided in paragraph (2) of subdivision (g), if
10 the county superintendent of schools disapproves the budget, he
11 or she shall call for the formation of a budget review committee
12 pursuant to Section 42127.1, unless the governing board of the
13 school district and the county superintendent of schools agree to
14 waive the requirement that a budget review committee be formed
15 and the department approves the waiver after determining that a
16 budget review committee is not necessary. Upon the grant of a
17 waiver, the county superintendent has the authority and
18 responsibility provided to a budget review committee in Section
19 42127.3. Upon approving a waiver of the budget review committee,
20 the department shall ensure that a balanced budget is adopted for
21 the school district by November 30. The Superintendent shall
22 report to the Legislature and the Director of Finance by December
23 10 if any school district, including a school district that has received
24 a waiver of the budget review committee process, does not have
25 an adopted budget by November 30. This report shall include the
26 reasons why a budget has not been adopted by the deadline, the
27 steps being taken to finalize budget adoption, and the date the
28 adopted budget is anticipated. For the 2011–12 fiscal year,
29 notwithstanding any of the standards and criteria adopted by the
30 state board pursuant to Section 33127, the county superintendent
31 of schools, as a condition on approval of a school district budget,
32 shall not require a school district to project a lower level of revenue
33 per unit of average daily attendance than it received in the 2010–11
34 fiscal year nor require the school district to demonstrate that it is
35 able to meet its financial obligations for the two subsequent fiscal
36 years.

37 (4) Not later than 45 days after the Governor signs the annual
38 Budget Act, the school district shall make available for public
39 review any revisions in revenues and expenditures that it has made

1 to its budget to reflect the funding made available by that Budget
2 Act.
3 (j) Any school district for which the county board of education
4 serves as the governing board of the school district is not subject
5 to subdivisions (c) to (h), inclusive, but is governed instead by the
6 budget procedures set forth in Section 1622.

O